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GR PROPERTIES LIMITED

國 銳 地 產 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 108)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF ALL THE ISSUED SHARES OF THE TARGET COMPANY

THE DISPOSAL

On 8 January 2021 (London time and after Hong Kong trading hours), the Vendor, a direct wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, representing all the issued shares of the Target Company.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As the highest of all applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the Disposal is more than 25% but less than 75%, the entering into of the Agreement and the transactions contemplated thereunder constitute a major transaction of the Company under the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the Disposal. As such, no Shareholders would be required to abstain from voting in favour of the resolution approving the Disposal.

The Company has obtained written Shareholders' approval for the Disposal in accordance with Rule 14.44 of the Listing Rules from the Shareholder Group.

Accordingly, pursuant to Rule 14.44 of the Listing Rules, written Shareholders' approval from the Shareholder Group is obtained in lieu of holding a general meeting of the Company to approve the terms of, and the transactions contemplated, under the Agreement.

A circular (for information purposes only) containing, among other things, further details of the Agreement and the transactions contemplated thereunder will be despatched to the Shareholders. As it is expected that additional time will be required to prepare the relevant information to be included in the circular, the Company will apply to the Stock Exchange for an extension of time for despatch of the circular by no later than 26 February 2021.

On 8 January 2021 (London time and after Hong Kong trading hours), the Vendor, a direct wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, representing all the issued shares of the Target Company.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the financial statements of the Group.

THE AGREEMENT

The principal terms of the Agreement are set forth below:

Date : 8 January 2021

Parties : (a) the Vendor, a direct wholly-owned subsidiary of the Company;
and
(b) the Purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons as at the date of this announcement.

Assets to be disposed

Pursuant to the Agreement, the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Shares, representing all the issued shares of the Target Company.

Consideration

Pursuant to the Agreement, the total consideration of the Disposal is approximately GBP30,960,000, comprising of:

- (a) approximately GBP11,700,000 which shall be utilised for the repayment of the Bank Loan on the Completion Date;
- (b) approximately GBP18,960,000 which shall be utilised for the repayment of the Company Loan on the Completion Date;
- (c) GBP1.00 which shall be paid by the Purchaser to the Vendor on the Completion Date; and
- (d) GBP300,000 less an amount to be determined by the HM Revenue and Customs of the United Kingdom Government (“**HMRC**”) in respect of the liability of the Target Company for withholding tax arising from the Bank Loan, which shall be paid by the Purchaser to the Vendor after the amount is determined by HMRC after the Completion Date.

On or before the date falling 30 Business Days after Completion, the Vendor shall prepare and deliver to the Purchaser a draft Completion Accounts and a draft Net Asset Statement. The draft accounts will be deemed agreed by the Purchaser on the date falling 20 Business Days after the date on which they are first delivered to the Purchaser, unless during such period the Purchaser gives notice of disagreement (“**Disagreement Notice**”) to the Vendor.

The Parties should attempt in good faith to resolve all matters referred to in the Disagreement Notice (if any) and agree a final form of Completion Accounts and Net Asset Statement on or before the date falling 20 Business Days after the date on which the Vendor receives the Disagreement Notice. If no agreement could be reached, then an independent accountant could be engaged to determine the Final NAV.

The difference between the Final NAV and the Estimated NAV shall be paid by the Vendor (in the case where Final NAV is less than Estimated NAV) or the Purchaser (in the case the Final NAV is greater than the Estimated NAV) on the fifth Business Day after the Final NAV is determined.

The consideration abovementioned was determined after arm's length negotiations between the Parties and arrived at on normal commercial terms with reference to the net asset value of the Target Company as at 8 January 2021 and the value of the Target Property of GBP31,300,000 agreed between the parties with reference to the appraised value of the Target Property appraised by an independent professional valuer engaged by the Group at approximately GBP32,500,000 as at 31 December 2019.

The valuation of the Target Property as at 31 December 2019 was conducted by the independent professional valuer engaged by the Group in the usual course of preparation of audited accounts of the Target Company for the financial year ended 31 December 2019. In view of the impact of COVID-19 to the economy of the United Kingdom and the decline in the market price of properties similar to the Target Property in London during 2020, the Directors consider that the consideration of the Disposal (which was determined based on the appraised value of the Target Property as at 31 December 2019) is fair and reasonable, and it is the appropriate time for the Group to dispose the Target Company and realise its return from the investment.

Based on the above, the Directors consider that the consideration is fair and reasonable and is in the best interests of the Company and its Shareholders as a whole.

Completion

The Completion shall take place immediately after execution of the Agreement or at such other time and place as the Parties may agree.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the financial statements of the Group.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company. The Target Company is principally engaged in property development and investment in the United Kingdom.

As at the date of this announcement, the Project Company has no operation, other than holding the Target Property. The Target Property is Boundary House located at 7–17 Jewry Street, London, which is an office building with a net internal floor area of approximately 45,062 square feet, which comprises a ground floor and seven upper floors, basement storage and 7 car park spaces.

Financial information of the Target Company

The table below sets forth a summary of the audited financial information of the Target Company (prepared in accordance with the International Financial Reporting Standards) for the two years ended 31 December 2018 and 31 December 2019.

	For the year ended 31 December 2018 GBP	For the year ended 31 December 2019 GBP
Revenue	1,062,865	1,231,832
(Loss)/Profit before taxation	(17,977)	5,127,350
(Loss)/Profit after taxation	(17,977)	5,127,350

The unaudited net liability of the Target Company as at 30 November 2020 was GBP616,461.

INFORMATION OF THE GROUP AND THE PARTIES

The Group is principally engaged in property development and investments in the United Kingdom, the United States of America and the PRC, provision of property management services in the PRC and operation and management of a leisure and lifestyle experience centre in the PRC.

The Vendor is a company incorporated in the BVI with limited liability and the principal activity is investment holdings.

The Purchaser is a company incorporated in England and Wales with limited liability and is principally engaged in hotel business. The Purchaser is ultimately beneficially owned by Mr. Christian Ploberger and Mr. Rudolph Ploberger, being individuals who mainly invest in hotel business.

FINANCIAL EFFECTS OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

The Company expects that the Group will realise an estimated loss of approximately GBP476,000 on the Disposal, being the difference between (i) the estimated net proceeds (after deduction of professional fees and other relevant expenses) of the Disposal of approximately GBP30,484,000; and (ii) the net asset value (excluding the Bank Loan and Company Loan) of the Target Company of approximately GBP30,960,000 as at 8 January 2021 assuming the Disposal took place on 8 January 2021.

The abovementioned financial effects are shown for illustrative purpose only and the actual gain or loss eventually to be finalised in the consolidated financial statements of the Group, depends on, among other things, the net asset value of the Target Company on the Completion Date and the review by the auditors of the Company upon finalisation of the consolidated financial statements of the Group.

The Company intends to apply the gross proceeds of the Disposal of approximately GBP30,960,000 in the following manner:

- (a) an amount of approximately GBP11,700,000 for the repayment of the Bank Loan;
- (b) an amount of approximately GBP18,960,000 for the repayment of the Company Loan;
and
- (c) the remaining balance of approximately GBP300,000 for reimbursement of the expenses incurred by the Group in connection with the Disposal.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As disclosed in the annual report of the Company published on 28 April 2020 for the year ended 31 December 2019, the Group's cash and cash equivalents amounted to approximately HK\$246.88 million as at 31 December 2019 while the total bank and other borrowings of the Group amounted to approximately HK\$2.34 billion. Having considered that the Disposal would provide the Group with an immediate cash inflow, the Directors are of the view that the Disposal is a good opportunity for the Company to enable the Group to repay the Bank Loan and the Company Loan and reallocate its financial resources on any suitable investment opportunities which would enhance Shareholders' value.

Further, as disclosed in the section headed “The Agreement — Consideration” above, in view of the impact of COVID-19 to the economy of the United Kingdom and the decline in the market price of properties similar to the Target Property in London during 2020, the Directors consider that the consideration of the Disposal (which was determined based on the appraised value of the Target Property as at 31 December 2019) is fair and reasonable, and it is the appropriate time for the Group to dispose the Target Company and realise its return from the investment.

In light of the foregoing, the Directors (including the independent non-executive Directors) consider that the terms of the Agreement, which are determined after arm’s length negotiations between the Parties, are on normal commercial terms and are fair and reasonable, and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest of all applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the Disposal is more than 25% but less than 75%, the entering into of the Agreement and the transactions contemplated thereunder constitute a major transaction of the Company under the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

GENERAL

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the Disposal. As such, no Shareholders would be required to abstain from voting in favour of the resolution approving the Disposal.

The Company has obtained written Shareholders’ approval for the Disposal in accordance with Rule 14.44 of the Listing Rules from the Shareholder Group. As at the date of this announcement, the Shareholder Group, being a closely allied group of Shareholders, are beneficially interested in 2,246,160,464 Shares, which represents approximately 70.21% of the total number of issued shares of the Company. Accordingly, pursuant to Rule 14.44 of the Listing Rules, written Shareholders’ approval from the Shareholder Group is obtained in lieu of holding a general meeting of the Company to approve the terms of, and the transactions contemplated, under the Agreement.

The Shareholder Group comprises of Wintime Company Limited and Gang Rui International Investment (HK) Limited, which are interested in 44.83% and 25.37% of the Company's shareholding respectively as at the date of this announcement. Wintime Company Limited is a wholly-owned subsidiary of Winluck Global Limited, entire issued share capital of which is beneficially owned by Mr. Wei Chunxian. Gang Rui International Investment (HK) Limited is owned as to 90% and 10% by Beijing Guo Rui Real Estate Development Co. Limited* (北京國銳房地產開發有限公司) and Future Glow Ventures Inc. respectively. Future Glow Ventures Inc. is wholly-owned by an Independent Third Party. Beijing Guo Rui Real Estate Development Co. Limited* (北京國銳房地產開發有限公司) is wholly-owned by Beijing Guorui Holdings Co. Limited* (北京國銳控股有限公司), which is directly owned by Mr. Wei Chunxian and Mr. Sun Zhongmin as to approximately 91% and 9%, respectively. Therefore, Mr. Wei Chunxian is deemed to be interested in the Shares held by Wintime Company Limited and Gang Rui International Investment (HK) Limited. In view of the above, Wintime Company Limited and Gang Rui International Investment (HK) Limited are considered a closely allied group of Shareholders under Rule 14.45 of the Listing Rules.

A circular (for information purposes only) containing, among other things, details of the Agreement and the transactions contemplated thereunder will be despatched to the Shareholders. As it is expected that additional time will be required to prepare the relevant information to be included in the circular, the Company will apply to the Stock Exchange for an extension of time for despatch of the circular by no later than 26 February 2021.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Agreement”	the sale and purchase agreement dated 8 January 2021 entered into between the Vendor and the Purchaser in relation to the Disposal
“Bank Loan”	the loan of approximately GBP11,700,000 owed by the Target Company to a bank which is an Independent Third Party
“Board”	the board of Directors
“Business Day”	any day that is not a Saturday, Sunday or public holiday in England and the BVI
“BVI”	British Virgin Islands

“Company”	GR Properties Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on Main Board of the Stock Exchange (stock code: 108)
“Company Loan”	the loan of approximately GBP18,960,000 owed by the Target Company to the Company
“Completion”	completion of the Disposal pursuant to the terms and conditions of the Agreement
“Completion Accounts”	balance sheet of the Company as at the Completion Date to be prepared by the Vendor pursuant to the Agreement
“Completion Date”	the day on which the Completion takes place, being the date of the Agreement
“connected person”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the Agreement
“Estimated NAV”	the estimated net asset value of the Company at Completion, being GBP300,000
“Final NAV”	the final net asset value of the Company at Completion to be determined by the Parties or the independent accountant (as the case may be) in the Net Asset Statement
“GBP”	British pound sterling, the lawful currency of the United Kingdom of Great Britain and Northern Ireland
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Independent Third Party(ies)”	person(s) or company(ies) who is/are not connected person(s) of the Company and its subsidiaries and who together with its/their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Net Asset Statement”	the statement of the net asset value of the Target Company to be prepared by the Vendor after Completion
“Parties”	the Vendor and the Purchaser
“Purchaser”	Bow Street Operations Limited, a company incorporated in England and Wales with limited liability
“Sale Shares”	all the issued shares of the Target Company
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder Group”	Wintime Company Limited and Gang Rui International Investment (HK) Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it in the Listing Rules
“Target Company”	GR Properties UK Limited, a company incorporated in the BVI with limited liability
“Target Property”	the property held by the Target Company which is known as Boundary House and located at 7–17 Jewry Street, London

“Vendor”

GR UK Holdings Limited, a company incorporated in the BVI with limited liability

“%”

per cent

By Order of the Board
GR Properties Limited
Wei Chunxian
Chairman

Hong Kong, 8 January 2021

As at the date of this announcement, the executive Directors are Mr. Wei Chunxian, Mr. Sun Zhongmin, Ms. Liu Shuhua, Ms. Huang Fei and Ms. Li Bing; and the independent non-executive Directors are Mr. Tung Woon Cheung Eric, Ms. To Tsz Wan Vivien and Mr. Leung Louis Ho Ming.

* *For identification purposes only*